

**PUBLIC SERVICE COMMISSION
STATE OF NORTH DAKOTA**

NEWS RELEASE

Dec. 6, 2007

Commissioners Clark, Wefald and Cramer

****For Immediate Release****

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Credit-Sale Contract Indemnity Fund is approaching maximum level

Recent high grain prices have helped boost collections to the Credit-Sale Contract Indemnity Fund, which is anticipated to reach its mandated level of \$6 million in 2008.

Once the fund reaches \$6 million, assessments for the fund paid by grain sellers will stop.

To date, approximately \$4.5 million in collections have been received since the fund's inception. With interest included, the fund's balance is currently \$4.645 million.

Commissioner Tony Clark, who holds the grain elevator portfolio, said collections in 2007 are on track to be the highest of any year. Collections of approximately \$283,000 in the third quarter of 2007 are nearly double that of collections in the same quarter a year ago.

"With the recent high grain prices, we expect collections for the fourth quarter of 2007 and first quarter of 2008 to remain strong and provide a significant boost to the fund," Clark said. "Barring any major claims against the fund, assessments are likely to stop in 2008."

The fund was created by the 2003 Legislature to provide partial protection for unpaid credit-sale contracts in the event of a grain elevator or grain buyer insolvency. A credit-sale contract is a written grain sales contract that provides for payment more than 30 days after the delivery or release of the grain for sale.

Money for the fund comes from a 0.2 percent assessment paid by grain sellers on all credit-sale contracts. In the case of an elevator or grain buyer insolvency, a claimant can receive a payment from the fund equal to 80 percent of an unpaid credit-sale contract, up to a maximum payout of \$280,000.

In the first three quarters of 2007, the fund has received approximately \$877,000 with the highest quarter of collections remaining. In 2006 there were approximately \$1.125 million in collections.

Once the fund reaches \$6 million, collections will stop at the end of the calendar quarter in which the level is reached. The commission will send notices to all licensees telling them to stop collecting the assessments.

The importance of the fund was illustrated this year when Minnesota Grain, an elevator in Rhame, became insolvent. In that case, four producers received a total of \$110,314 from the fund.

“The Minnesota Grain case shows that insolvencies can happen and that this fund is necessary,” Commissioner Susan Wefald said. “Without the protection the fund provides, those producers might have been left without any payment of their credit-sale contracts.”

Legislation passed in 2007 will help the fund reach its maximum sooner than what was originally expected. The fund’s maximum level was reduced from \$10 million to \$6 million and monies from the indemnity fund can be invested with all income earnings retained in the fund. Since August 2007, the fund has earned an interest rate of more than four percent in a money market account with the Bank of North Dakota. Previously, the fund received an interest rate of around two percent.

“Once the fund reaches its maximum level, collections will not kick in again until the fund drops below \$3 million,” Commissioner Kevin Cramer said. “We are hopeful there will be no major claims, and interest earnings will sustain the fund for a long time.”

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